

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **First Bank & Trust of Evanston, Evanston, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **December 16, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION-S RATING: This institution is rated Satisfactory.

First Bank & Trust of Evanston promotes economic revitalization and growth, consistent with its size, financial capacity, location, and current economic conditions. These efforts are evidenced by a reasonable and increasing loan-to-deposit ratio, and an adequate level of lending within the assessment area. Loan penetration among borrowers of different income levels and businesses of different sizes, and the geographic distribution of the bank's loans meet the standards for satisfactory performance. Management is knowledgeable of antidiscrimination laws and has developed adequate policies, procedures and training programs to prevent discrimination in its lending and credit activities. No discriminatory lending policies or practices which would discourage loan applicants were detected during this examination. Further, no complaints were received by the institution regarding its CRA performance.

The following table indicates the performance level of **First Bank & Trust of Evanston, Evanston, Illinois** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST BANK & TRUST OF EVANSTON PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	NO CRA-RELATED COMPLAINTS WERE RECEIVED BY THE INSTITUTION.		

DESCRIPTION OF INSTITUTION

First Bank & Trust of Evanston, with \$53 million in assets as of September 30, 1996, is a subsidiary of First Evanston Bancorp, Inc., Evanston, Illinois, a one-bank holding company. The bank opened for business on September 23, 1995. The bank's one office is located in the downtown business district of Evanston.

The bank offers a variety of deposit products and services, as well as real estate, commercial, and consumer loans. The bank's primary business focus is retail banking, with real estate loans being its predominate product. Based upon information contained in the June 30, 1996 Uniform Bank Performance Report (UBPR), approximately 46.99% of the bank's loan portfolio is comprised of real estate loans, with 44.4% of real estate loans secured by one-to-four family residences. Commercial and industrial loans, loans to individuals and all other loans comprise 42.76%, 6.65% and 3.60%, respectively, of the bank's loan portfolio. Mortgage loans include conventional loans with financing up to 95% loan-to-value with private mortgage insurance coverage, construction loans, and home equity loans. Consumer loan products consist of personal and home equity lines of credit, automobile loans, overdraft protection loans, and secured and unsecured personal loans.

Evanston Bank, the only financial institution in Evanston of similar size (\$75 million in assets as of June 30, 1996), provides competition to the bank. The remaining financial institutions located in the city are branches or subsidiaries of large national banking institutions.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The bank's assessment area is defined as the City of Evanston, Illinois and includes a total of 19 census tracts. One of the census tracts (8092) is designated as moderate-income, seven census tracts are designated as middle-income, and eleven census tracts are designated as upper-income. Three census tracts (8092, 8096 and 8097) are designated as minority tracts. The bank's office is located in census tract 8095. The breakdown of families in the assessment area, by income level, is as follows: low-income - 2,096 or 13.3%; moderate-income - 2,235 or 14.1%; middle-income - 3,177 or 20.1%; and upper-income - 8,300 or 52.5%.

Evanston is located in the northwest portion of Cook County, approximately 15 miles north of the Chicago Loop, and is part of the Chicago Metropolitan Statistical Area (MSA). Evanston is bounded by the City of Chicago on the south, the Village of Wilmette on the north, the Village of Skokie on the west and Lake Michigan on the east.

According to the 1990 U.S. census data, the population in the bank's assessment area is 73,233. The racial makeup of the population is as follows: Whites - 50,660 or 69.2%; Blacks - 16,327 or 22.3%; Asians - 3,529 or 4.8%; individuals of Hispanic descent - 2,379 or 3.2%; American Indians - 205 or 0.3%; and all other minorities 133 - or 0.2%. The assessment area's housing market consists of 29,164 housing units: 14,272 (48.9%) are owner-occupied, 13,682 (46.9%)

are rental units and 1,210 (4.1%) are vacant. Of the total housing units, 53.6% are one-to-four family units and 45% are five or more units. The median housing value in the assessment area is \$181,577, compared to \$108,960 and \$80,114 for the MSA and State of Illinois, respectively. The median family income in the assessment area is \$53,721, compared to \$42,758 and \$38,664 for the MSA and State of Illinois, respectively.

Overall, employment in Cook County is increasing and is concentrated in the service, retail trade, and manufacturing sectors. The largest employers in Evanston are: Northwestern University, 5,650 employees with a student enrollment of 11,500; Evanston Hospital, 3,400 employees; St. Francis Hospital, 2,000 employees; School District #65, 1,100 employees; the City of Evanston, 780 employees; Presbyterian Homes, 500 employees; and School District #202, 480 employees. In addition to these establishments, approximately 3,000 small (fewer than 50 employees) retail and service-related businesses are concentrated along the city's main arteries. Approximately 43% of the local residents work in Evanston with the remaining 57% commuting for work to Chicago or surrounding suburban areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The institution is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and Fair Housing Act. The fact that the bank recently opened for operations was considered in evaluating the bank's performance under the loan-to-deposit ratio and lending in the assessment area criterions.

Loan-to-Deposit Ratio Analysis

A review of the bank's Consolidated Reports of Condition over the most recent four quarters, beginning December 31, 1995, revealed an average loan-to-deposit (LTD) ratio of 39.01%. According to the June 30, 1996 UBPR data, the peer group's LTD ratio of 64.47% exceeded the bank's LTD ratio of 49.31%. According to the Fall 1996 McFadden American Financial Directory, the bank's primary competitor, Evanston Bank, had a LTD ratio of 76.46%. The following chart illustrates the four-quarter increasing trend of the bank's originations and LTD ratio:

Loan Originations and Loan-to-Deposit Trend				
Quarter Ending	Originations	Increase (Decrease) in Originations From Previous Quarter	Loan-to-Deposit Ratio	Increase (Decrease)
	(\$000)	\$/%	%	%
December 31, 1995	\$1,008	n/a	17.98	n/a
March 31, 1996	\$4,815	\$3,807/377.68%	32.32	14.34
June 30, 1996	\$9,780	\$4,965/103.11%	49.31	16.99

Loan Originations and Loan-to-Deposit Trend				
Quarter Ending	Originations	Increase (Decrease) in Originations From Previous Quarter	Loan-to-Deposit Ratio	Increase (Decrease)
	(\$000)	\$/%	%	%
September 30, 1996	\$12,120	\$2,340/23.93%	56.44	7.13
Overall Increase (Decrease)		\$11,112/1,102.38%		38.46

As the preceding chart illustrates, the bank's loan originations and corresponding LTD ratio increased significantly from December 31, 1995 to September 30, 1996. Based upon the bank's de novo status, positive LTD trend, and competition and credit needs in the assessment area, the bank's LTD ratio is reasonable and meets the standards for satisfactory performance.

Lending in Assessment Area

A sample of the bank's loan originations for a six-month period ending October 31, 1996, was used to determine the level of lending within the assessment area. A review of this sample revealed that the bank originated a total of 447 loans (of all types), of which 141 or 31.54% were made within the bank's assessment area. The loan sample revealed the following level of lending, by loan type, within the assessment area:

LOAN TYPE	TOTAL SAMPLED	LOANS WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Real Estate	21	8	38.10
Indirect Automobile	244	13	5.33
Home Equity Lines of Credit	87	53	60.92
Personal Loans	76	54	71.05
Commercial Loans	19	13	68.42
Totals	447	141	31.54
Totals minus Indirect Automobile Loans	203	128	63.05

The preceding chart indicates that indirect automobile loans account for 54.59% (244 loans) of total originations and also comprised the highest percentage (94.67%) of loans outside the assessment area. The bank originates indirect automobile loans through dealerships located outside the bank's assessment area in the City of Chicago, Lincolnwood and Lake Forest, Illinois.

With indirect automobile loans factored out, a majority (63.05%) of the loans were made within the assessment area. With consideration given to the bank's business strategy of expanding its lending activities, the bank's performance under this criterion meets the standards for satisfactory performance.

Lending Analysis Based Upon Borrower Income and Size of Business

A six-month sample of personal consumer loans, as well as records in the bank's 1996 Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) were analyzed to determine the distribution of loans among borrowers of different income levels. Eighteen (23.68%) of the 76 consumer loans in the six-month sample were in amounts of \$1,000 or less. Based upon discussions with management, it was determined that a loan amount of \$1,000 (proxy used in the analysis) is affordable by low- and moderate-income borrowers. The distribution among borrowers of different income levels (using the MSA median family income) of the 67 approved loans reported in the 1996 LAR is as follows: 1 or 1.50% low-income borrower; 2 or 2.99% moderate-income borrowers; 6 or 8.95% middle-income borrowers; and 58 or 86.56% upper-income borrowers.

A six-month sample of commercial loans was also reviewed to assess the level of lending to businesses of different sizes; 14 (73.68%) of the 19 commercial loans were originated to businesses with less than \$1.0 million in gross annual revenues.

The six-month loan sample revealed an adequate loan penetration among individuals of different income levels, and businesses of different sizes indicating that the bank's performance under this criterion meets the standards for satisfactory performance.

Geographic Distribution of Loans

The bank's assessment area consists of 19 census tracts; one (8092) moderate-income, seven middle-income and eleven upper-income. The following chart represents the distribution of the six-month loan sample within the assessment area:

Geographic Distribution of Six-Month Loan Sample			
Census Tract #	Type Census Tract	Number of Loans	% of Total Loans*
8087.01	Upper-income	6	3.59%
8087.02	Upper-income	5	2.99%
8088.00	Upper-income	4	2.40%
8089.00	Upper-income	13	7.78%
8090.00	Upper-income	11	6.59%
8091.00	Upper-income	11	6.59%

Geographic Distribution of Six-Month Loan Sample			
Census Tract #	Type Census Tract	Number of Loans	% of Total Loans*
8092.00	Moderate-income	6	3.59%
8093.00	Middle-income	5	2.99%
8094.00	Upper-income	24	14.37%
8095.00	Upper-income	7	4.19%
8096.00	Middle-income	12	7.19%
8097.00	Middle-income	6	3.59%
8098.00	Upper-income	14	8.38%
8099.00	Upper-income	12	7.19%
8100.00	Upper-income	10	5.99%
8101.00	Middle-income	10	5.99%
8102.00	Middle-income	1	0.60%
8103.01	Middle-income	1	0.60%
8103.02	Middle-income	9	5.39%

*Percent of the total of 167 loans in the assessment area.

As the preceding chart illustrates, the bank originated loans in all nineteen census tracts. Of the 167 loans in the assessment area, 6 (3.59%) were made in the one moderate-income census tract.

The bank's performance in lending throughout the assessment, including the one moderate-income census, meets the standards for satisfactory performance.

Response to Substantiated Complaints

No complaints were received by the institution regarding its CRA performance.